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Magic Quadrant for Financial Corporate Performance Management Solutions

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Financial corporate performance management solutions must be understood by the financial application strategists within enterprise finance organizations, so that they can improve efficiency and compliance in processes leading to the financial close. This Magic Quadrant assesses 10 FCPM vendors.

Market Definition/Description

Note: Gartner's "Magic Quadrant for Corporate Performance Management Suites" has been discontinued. It is replaced by the present Magic Quadrant and the "Magic Quadrant for Strategic Corporate Performance Management Solutions."

This Magic Quadrant's scope reflects Gartner's definition of "postmodern ERP." We define postmodern ERP as a technology strategy that offers diverse options for automating and linking administrative and operational business capabilities with levels of integration that balance the benefits of vendor-delivered integration against customers' requirements for flexibility and agility (see Note 1).

Therefore, this Magic Quadrant features two types of vendor:

- Vendors developing, selling and marketing a single, integrated solution with a single UI, data model and code base. These vendors each receive a single dot in the Magic Quadrant graphic.
- Vendors developing, selling and marketing multiple, distinct products. These products have workflow integrations, use vendor-supported integration technologies, and are positioned as components of a "solution," rather than as stand-alone products in the vendors' portfolios. These vendors also receive a single dot in the Magic Quadrant graphic. We have incorporated any user feedback on these products' integration into their vendors' scores for the Product/Service criterion under Ability to Execute. We have considered the degree of market suitability of the portfolio in our assessment of the Market Understanding and Offering (Product) Strategy criteria under Completeness of Vision.

This is a new Magic Quadrant. It is the result of the evolution of the corporate performance management (CPM) market, which has produced two segments: financial CPM (FCPM) and strategic CPM (SCPM) (see "The Breakup of the CPM Suite"). Different measurements and criteria have been employed from those used in 2015's "Magic Quadrant for Corporate Performance Management Suites." Although we have maintained a consistent evaluation methodology between these two Magic Quadrants for 2016, it is not possible to relate these new vendor scores to those in the previous CPM suite-based study. As we observed the market shift that has created FCPM, we updated our former approach to vendor scoring accordingly — where vision and Ability to Execute (with respect to a vendor's participation in the market) overrides the need for a concise FCPM suite.

Gartner defines the components of an FCPM solution as supporting financial accounting processes to achieve a corporate financial close, including financial reporting and consolidation, and enhanced financial control and automation (EFCA). The FCPM market includes the following six key pillars or components:

- **Financial consolidation —** The ability to bring together financial information from multiple general ledger (GL) sources, while providing for eliminations for intercompany accounting and booking for joint-venture and non-GL businesses. This may include developing a financial consolidation instance, for the purpose of tax data provisioning, to assist the tax organization in preparing returns and planning. Even with a single GL, an organization may still have complex financial consolidation needs. Small and midsize organizations with limited legal entities may not require complex financial consolidation capabilities.
- **Financial reporting —** Provides financial accounting-based reporting to meet the demands of regulators, investors and tax authorities, and to inform the operational and strategic financial management of the organization.
- **Management reporting, costing and forecasting —** Provides responsibility reporting and cost accounting reports to the management of the enterprise, as well as inputs to disclosure reporting to investors. Within management reporting, predictive capabilities are leveraged to forecast future financial reporting, based upon actuals and plans. These include predictions for external forces, such as market conditions influenced by economic and competitive forces, as well as changes in customer demand. Costing includes profitability analysis, but not the ability to perform profitability modeling (which is covered in SCPM).
- **Reconciliations/close management —** The capability to manage the financial close, including activities spanning the accounting cycles. These include the EFCA functions of reconciliation management, close cockpits that span ERP and post-ERP processes, and journal entry control.
- **Intercompany transactions —** Also an EFCA function, the ability to approve at a voucher level and handle accounting transactions across multiple GLs and companies. This function works closely with intercompany reconciliation.
- **Disclosure management —** Also an EFCA function, the ability to support multiple regulatory requirements for disclosure reporting, including eXtensible Business Reporting Language (XBRL) and in-line XBRL (iXBRL) tagging. These products may also provide a "board book" capability, as well as forming the foundation for performance reporting within SCPM.

FCPM solutions support the office of finance's accounting processes toward the financial close, as well as targeting improvements in management reporting and analysis and external financial reporting and disclosure. Although financial consolidation is one of six critical components in an organization's FCPM approach, it was not a necessity for a vendor's solution to be evaluated. For example, two of the Leaders in this Magic Quadrant do not have financial consolidation as part of their solutions, but are Leaders in disclosure and reconciliations/close management. A vendor may be included in the Magic Quadrant if its solution has two out of the six key components of FCPM.

FCPM also includes components of EFCA capabilities and financial consolidation capabilities. These applications ultimately help CFOs and other business leaders to gain a clear picture of their financial and organizational performance by ensuring the accuracy of the consolidation for operational and financial information that forms the basis for business decisions.

FCPM market share and revenue levels remain important factors; however, their significance has been reduced to give additional weight to new license and subscription revenue rather than maintenance revenue. Other scoring changes include, but are not limited to, an increased significance for:

- The value the vendor solutions apply to accounting processes in order to provide a baseline for performance and financial reporting. While some of the solutions may operate during the month, most of these processes focus on the post-GL financial and management close.
- Product strategy — To reflect the value generated from a grouping of individual products as opposed to a complete FCPM suite. Hence, financial consolidation is not a requirement for inclusion and if a vendor has two out of the six pillars of FCPM, it may be included.
- Market understanding — To reflect a wider product vision, and marketing and sales strategies that leverage direct sales, an ecosystem of affiliates and existing market recognition.
- Customer satisfaction — To reflect the importance of vendor trust in a market where cloud-based solutions continue to gain traction.

A range of FCPM vendors address the financial close needs of small ($10 million to $100 million in annual revenue), midsize ($100 million to $1 billion in annual revenue) and large ($1 billion or more in annual revenue) organizations. The most common use of FCPM solutions is to support financial and management reporting, either for corporate finance or for individual business units or departments. A growing number of vendors have been enhancing their ease of use, best-practice enablement, time to value, collaboration and analytics capabilities alongside platform and integration improvements. As a result, these FCPM applications can further enhance a finance department's ability to provide a performance baseline to its constituents to manage the business.

The FCPM application market includes traditional on-premises vendors with modified, or new, cloud-based solutions and pure play SaaS. The FCPM market includes vendors that also offer ERP solutions, but in order to be included, ERP vendors must show significant market presence and FCPM investment outside their ERP customer base. (Note that if your current ERP vendor offers FCPM capabilities such as financial consolidation, but does not appear in this analysis, you should still consider adding it to your FCPM product evaluation for consideration.) This market also includes vendors that have SCPM capabilities, which are not considered in (nor do they influence) the vendor scoring for FCPM.

FCPM business applications that support extended accounting processes outside the ERP suite have had major success with willing buyers in the controller's organization. These applications are often purchased due to corresponding functionality not being available in the buyer's integrated financial management or ERP suite, or due to a successful business case targeting process efficiency, compliance and the need to improve systems of record (see "Use These Best Practices to Develop a Pace-Layered Application Strategy for Financial Management"). Organizations typically purchase FCPM solutions to gather data more effectively (financial consolidation, for example) and to improve accounting processes (such as close management). While predictive modeling and planning will be primarily performed by SCPM applications, FCPM applications focus more widely on building the foundation for performance management. In simple terms, FCPM allows finance teams to identify how an organization is performing against its business goals and objectives, while SCPM helps to define and manage the strategic goals.

This Magic Quadrant presents a global view of the primary FCPM vendors from a market perspective. Vendors tracked in this Magic Quadrant vary in their capability to support different FCPM processes and use cases. We also briefly mention additional vendors that did not meet the inclusion criteria, but may be worthy of consideration (see Honorable Mentions under the Inclusion and Exclusion Criteria section). Clients may decide that they want to choose separate applications for each pillar of FCPM; that is, a hybrid vendor solution approach. In which case, these additional vendors can also be considered to augment or (in certain situations) replace the FCPM solutions examined in this study — especially to satisfy specific functional or industry requirements.

Magic Quadrant

Figure 1. Magic Quadrant for Financial Corporate Performance Management Solutions

Source: Gartner (May 2016)

Vendor Strengths and Cautions

BlackLine

BlackLine is a Leader in the FCPM market. It is one of only two vendors that have defined the cloud market for EFCA during the past five years and are reaping the benefits of success in this market. This success is due to BlackLine's high reference scores for customer satisfaction and execution in the marketplace, as well as its strong Ability to Execute by bringing new products to market that did not exist five years ago.

BlackLine is a pure-play cloud vendor that provides solutions for EFCA functions. BlackLine Financial Close Management is a cloud-based solution that provides control over the financial close and reconciliation process by streamlining accounting workflows and ensuring accuracy and compliance auditability. BlackLine's reconciliation/close management products include Account Reconciliations, Task Management, Transaction Matching, Journal Entry, Consolidation Integrity Manager, and Variance Analysis. BlackLine supports integration with more than 40 ERP systems, including a SAP-endorsed business solution. The BlackLine Intercompany Hub is a solution where intercompany transactions are initiated, approved, validated and booked, providing a centralized transaction repository with automated journals, invoice workflows and approvals.

Strengths

- BlackLine products are sold exclusively as a cloud-based subscription model. Pricing is segmented for midmarket and enterprise organizations based on end users throughout a typical three-year contract. This cloud-only model has helped define the EFCA as primarily a cloud market, and benefits the vendor by its not having to support legacy on-premises solutions.
- BlackLine received above-average scores for execution; its highest score was for customer experience. It provides 24/7 live global support via email, phone, or through an online support portal. Its support team is based in the corporate headquarters in Los Angeles, California, U.S., and in the London office in the U.K. Support is available in English, German, Spanish, Thai, Tagalog, French, Cantonese and Mandarin.
- BlackLine has always been a trailblazer in the EFCA space. It was among the first companies to develop and market an account reconciliation (2005) and financial close solution (2006) to manage close activities through an integrated package and through all post-GL closing activities. It has also been successful in establishing relationships with leading financial management service providers as part of the service provider's finance transformation practices.

Cautions

- BlackLine's pricing has increased significantly during the past couple of years, in line with the overall end-user price increases that we have seen across the market. Separate charges for storage exist, but we have yet to see this rolled out consistently across BlackLine's user base and for new prospects.

- BlackLine is often at a price advantage over others competing for the business at a given prospect. Its international capability is still emerging, so be aware of the local support on offer if you have implementation requirements that go beyond its existing global footprint.
- If you have complex transaction-matching requirements with high volumes of data, on-premises products should also be evaluated because they may offer a less costly alternative.

Host Analytics

Host Analytics is a pure-play, cloud-based FCPM vendor whose offerings support financial consolidation and financial/management reporting. Host Analytics' technology partners include Microsoft, Qlik (within the business analytics offering), Dell Boomi (within Host's integration offering) and others (such as Box for enhanced data load functionality).

Host Analytics is one of the Visionaries in this Magic Quadrant. This is due to the vendor's level of cloud experience, customer satisfaction and its products' ability to support the more complex use cases. Host Analytics offers its cloud-based EPM Suite on a subscription pricing basis: where the pricing model is based on modules, with a base application subscription plus user subscriptions. The modules that support FCPM include Consolidation, Reporting and Analytics. Financial consolidation supports both U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS) and tax as well as reconciliations, close process management and intercompany transactions. Financial reporting is achieved via Host Analytics Reporting. Management reporting and disclosure management is achieved through its Host Analytics Financial Package Publisher and analytics offerings.

Strengths

- Host Analytics' FCPM solutions typically do not require extensive IT support and tend to be supported mainly within finance. The Magic Quadrant survey reference results showed above-average scores in all categories. The vendor's highest reference customer scores were for integration and overall satisfaction with both the vendor and its solutions, where it scored in the top quartile.
- Sixty-one percent of Host Analytics' reference customers cited its reporting capabilities as being within the top three most important criteria when selecting it. Forty-two percent felt the solution could be implemented quickly and inexpensively relative to other solutions within their top three selection criteria. These results are in the top quartile for all vendors surveyed for this Magic Quadrant, and indicate Host Analytics' ability to differentiate itself in these key functional areas during sales demos and proofs of concept (POCs).
- While Host Analytics' consolidation capability has been effectively targeted at legacy Hyperion Enterprise (Oracle) customers, we are seeing more customers use Host Analytics' product to support complex consolidation capability.

Cautions

- Host Analytics' user interface appears outdated compared with those of other pure-play cloud players in this space; its offering would benefit from more graphical filtering and drill-downs as well as additional native connectors. The vendor will be releasing significant UI improvements to address this issue in 1H16.
- The majority of Host Analytics' customers are located in North America (for example, 94% of its reference customers were based in this region), although it reports having users in 90 countries. Prospective customers outside of North America should evaluate customer references in their region and appraise the vendor's local consulting and support capabilities.
- Only 9% of Host Analytics' reference customers surveyed for this Magic Quadrant had more than 200 users. Prospective customers with more than 200 users should thoroughly evaluate customer references with similar use cases. Also, its EFCA functionality focuses on process management and lacks any transaction-matching capability.

insightsoftware.com

A new entrant to Gartner's Magic Quadrants, insightsoftware.com enters as a Niche Player. It delivers its FCPM capabilities through its Hubble products. The Hubble platform offers reporting, analytics and planning capabilities in a real-time solution that integrates with multiple ERP systems. These capabilities apply to many industries and to large or midsize organizations. Since its origins — as the "GL Company" providing financial analytics to JD Edwards customers — it has expanded its capabilities across FCPM. Financial consolidation and financial/management reporting is achieved through Hubble's reporting, analytics and planning capabilities. Hubble provides prebuilt templates for customers that present real-time reconciliations management of subledgers to the GL and for intercompany transactions. For close management, customers are able to streamline their processes with built-in approvals for reporting and real-time integrity/audit monitoring.

Strengths

- Insightsoftware.com has significant global presence, with company office locations in Dublin, Ireland; Denver, U.S.; London, U.K.; Melbourne, Australia and joint-venture offices in Paris, France; Ravenna, Italy; Leiden in the Netherlands; Dubai, UAE; and Johannesburg, South Africa.
- Insightsoftware.com's highest product execution rating was in customer satisfaction, where it achieved the highest level across all the FCPM vendors in this Magic Quadrant.
- Hubble's UI is easy to use and many customers are able to get value from the solution relatively quickly. Hubble can also be used for operational financial reporting — extending management reporting to a greater level of detail than is typically found within an FCPM management reporting solution.

Cautions

- Hubble is still not a widely recognized product in the marketplace and insightsoftware.com must focus on achieving greater brand awareness.

- Insightsoftware.com needs to develop relationships with leading financial management consultancies to increase its market penetration.
- Organizations need to evaluate Hubble's capabilities against their specific FCPM requirements. Given the ability to provide support for operational financial analytics, it might be easy to lose focus on the product's specific financial consolidation capabilities — which do not rival the leading products at this point. While Hubble's financial consolidation capabilities are not that strong, its major focus is in reporting and analytics.

IBM

IBM's FCPM offerings in this space include on-premises cloud products for financial and management reporting (IBM Cognos TM1), financial consolidations (IBM Cognos Controller) and disclosure management (IBM Cognos Disclosure Management). IBM supports high levels of customization, with UIs based on mobile, web, desktop and Microsoft Excel. In addition, Cognos Command Center facilitates process automation on-premises, in the cloud or across both. IBM also offers IBM Cognos Express Performance Management for midsize companies, which has some FCPM capabilities.

IBM is a Challenger in this market, with a large customer base of on-premises TM1, Controller and Disclosure Management customers. IBM's Cognos TM1 product is a proven solution with the performance and analytic capability to support a wide variety of complex use cases. Most of the current Controller and TM1 clients operate on-premises solutions.

Strengths

- IBM has many large customers, a global reach, an extensive consulting ecosystem and a large services organization (further expanded in 2015) with business domain and industry financial transformation expertise.
- Cognos TM1's in-memory computing (IMC) and advanced analytics support complex management reporting: for example, 65% of reference survey respondents had more than 200 users; these results are in the top quartile. Furthermore, 39% of IBM's customer references reported that its performance was one of the top three most important criteria for selection; this was the highest score received by any vendor in this Magic Quadrant.
- Although overall customer satisfaction scores were slightly below average, IBM consistently scores higher than the other megavendors in the Magic Quadrant.

Cautions

- IBM has never been able to achieve significant market presence with its Controller product and in prior CPM Magic Quadrants this held the rating of its CPM system down. Now that FCPM and SCPM are separate Magic Quadrants, the Controller's ability to support complex financial and management consolidations — and yet lack significant market penetration — is primarily responsible for it being a Challenger rather than a Leader. While IBM has intercompany transfers in Controller at the balance level, it does not offer intercompany reconciliation/matching at the transaction/invoice level, which is often handled by clients in their ERP systems.

- IBM's Clarity Systems' Financial Statement Reporting (FSR) customers were encouraged to move to its Cognos Disclosure Management solution in order to provide support for these disclosure requirements; many have moved to less complex solutions such as Workiva.
- Cognos TM1 requires a relatively high degree of initial configuration and support expertise. Customers with limited technical resources should evaluate related implementation and support efforts.
- No customer references using cloud Cognos Controller and Cognos TM1 in production were provided for this survey, which raises a cautionary flag when IBM suggests this as a solution for financial consolidation and financial/management reporting.

Longview Solutions

Longview is a Visionary in this Magic Quadrant. Marlin Equity Partners acquired Longview Solutions in July 2014 and arcplan in March 2015. These two companies were merged, and separate but integrated versions of each vendor's solution were released in 3Q15 — Longview 7.2.3 is synchronized with arcplan 8.6. Longview was, therefore, a company in transition during 2015, both from a product and a company standpoint; for example, the senior management teams were integrated and two support desks, for North America and Europe, were coordinated during 2015.

Longview offers both traditional FCPM suite and tax solutions, where its tax solution is based on an instance of financial consolidation. Its two separate offerings (Longview Corporate Performance Management and Longview Tax) share the same Longview 7 platform, to the benefit of both its FCPM and tax customers. Longview is also integrated with arcplan to extend management reporting and analytics.

Strengths

- Longview can support large organizations and complex use cases. For example, 73% of Longview reference customers had more than $1 billion in annual revenue and 41% had more than 200 users. Both these results are in the top quartile for this Magic Quadrant. Furthermore, Longview has a large percentage of long-term customers (85% of Longview's customers surveyed have used their solution for three years or longer and 47% have used it for 10 years or longer; these results are the highest of any vendor surveyed).
- The product integration of Longview and arcplan extends business intelligence (BI) capabilities for Longview customers; however, these are still packaged and sold as two separate sets of products. In 2H16, a single brand will be used that covers the integrated products.
- Longview has a robust financial consolidation capability that can meet the needs of larger organizations. It also has some financial close process management capabilities that we believe will continue to be developed. Longview has had success as a visionary by leveraging an instance of financial consolidation for tax data provisioning. It has proven itself as a leading vendor supporting tax provisioning best practices with tax consulting providers.

Cautions

- Market confusion exists as to Longview's unique market focus; it emphasizes its tax offerings (sometimes over its CPM capabilities), and for many prospects its focus on tax planning de-emphasizes its FCPM capabilities.
- Longview's customer reference scores ranked it as slightly below average in several areas. While Longview has added in-memory capabilities, much of the solution is still based on legacy architecture and its user interface often appears less intuitive (in product evaluations) when compared with more leading products. Longview's EFCA capabilities are mainly process management in its consolidation solution, which provides process-tracking capabilities, so many of its customers use third-party solutions.
- Although Longview's merger with arcplan has greatly increased its geographic coverage, 97% of its reference customers were based in North America. The vendor has more experience of supporting FCPM organizations in this region, so prospective customers outside of North America should evaluate customer references in their region and appraise the vendor's local consulting and support capabilities.

Oracle

Oracle's FCPM solutions include on-premises offerings Oracle Hyperion Financial Management, Oracle Hyperion Financial Data Quality Management (FDQM), Oracle Hyperion Financial Close Management (which includes Account Reconciliation Management) and Oracle Hyperion Disclosure Management. Additional solutions exist for metadata management; extraction, transformation and loading (ETL); and financial master data management and tax provisioning, which are integrated into the FCPM applications. Oracle also offers a solution for narrative reporting, Enterprise Performance Reporting Cloud service, to address internal and external reporting that combines data with narrative commentary.

Oracle is a Leader in this market, due to its market share and broad support of FCPM processes. It has announced plans to extend its cloud capabilities to FCPM, which will be critical in maintaining its broad Tier 1 and small or midsize business (SMB) customers.

Strengths

- Oracle maintains the biggest market share in this space, with many large FCPM customers, complex use cases and a global reach (for example, 80% of Oracle customer respondents had $1 billion or more in annual revenue and 71% had more than 200 users). Oracle also has a large implementation partner ecosystem, with a broad business domain and industry financial transformation expertise.
- Oracle is successful in selling multiple FCPM solutions to its customers; for example, 34% of its reference customers reported that their use of other products provided by Oracle was one of the top three most important criteria when selecting this vendor. Also, 75% of customer references have used Oracle's product for more than three years. Both of these results placed Oracle in the top quartile for this Magic Quadrant. We see this frequently in FCPM — where

Hyperion Financial Management customers also have Oracle's FDQM, close and disclosure products.

- Oracle is moving its FCPM components to the cloud, offering both on-premises and cloud options in the future, which shows good vision in the FCPM market. Specifically, two new cloud services, Account Reconciliation Manager and Financial Consolidation and Close, are planned for delivery in 2016. These were not considered in the evaluation for this Magic Quadrant evaluation.

Cautions

- Oracle's Hyperion on-premises FCPM suite requires a relatively high degree of initial configuration and support expertise. Customers with limited technical resources should pay close attention to related implementation and support efforts.
- With the exception of integration with other systems, which was below average, Oracle's reference customers rated it in the bottom quartile in all satisfaction areas as well as for FCPM capabilities.
- While Oracle has disclosure and close/reconciliation management, we often find that consolidation customers prefer the agility of cloud solutions for these capabilities.

SAP

SAP's Enterprise Performance Management (EPM) solutions support an extensive breadth and depth of FCPM functionality and are typically used by large, complex global organizations. Increasingly, SAP's offerings are favored by those standardizing on an SAP ERP and/or SAP BI platform. Its flagship financial management offering is SAP Business Planning and Consolidation (BPC) version for SAP NetWeaver, which combines financial consolidation and financial/management reporting and is also available in a Microsoft-platform version. Other FCPM products include SAP Financial Consolidation, SAP Financial Closing Cockpit, SAP Master Data Governance for Financials, SAP Financial Information Management, SAP Process Control, SAP Disclosure Management and SAP Profitability and Cost Management. Since SAP does not have a reconciliations/close solution, it partners with BlackLine for the BlackLine Financial Close Suite (not included in this evaluation).

SAP is a Leader in this market due to its market share, broad support of FCPM processes, and continued product and platform investment in ERP-FCPM simplification to support new FCPM processes. As with the other Leaders, SAP needs to further develop both its cloud and hybrid on-premises cloud offerings and gain additional SaaS experience in this space. As SAP moves forward, there will be more Hana-based FCPM functionality embedded in S/4HANA — that will leverage the in-memory technology that underpins S/4HANA — demonstrating good FCPM vision.

Strengths

- SAP maintains a large market share in this space (second only to Oracle), with many large FCPM customers, complex use cases and a global reach (for example, 65% of SAP customer respondents had $1 billion or more in annual revenue and 46% had more than 200 users). SAP also has a large consulting ecosystem with a broad business domain and industry financial transformation expertise.

- SAP has a large customer base committed to its offerings, especially for those using its ERP offerings. SAP has a good vision for deploying FCPM capabilities on the Hana platform, which will also leverage S/4HANA to provide more real-time financial control.
- SAP's BPC NetWeaver product has achieved significant market penetration and is increasingly competitive against other leading financial consolidation products.

Cautions

- SAP's on-premises FCPM offerings required a relatively high level of initial configuration and support expertise compared with others surveyed in this Magic Quadrant. There are numerous products in the product line, which often proves a daunting prospect in relation to complexity and cost. There is still market confusion over where SAP Financial Consolidation and the consolidation capability within BPC should be used; however, SAP has stated that customers who want combined planning and consolidations should use BPC.
- SAP's cloud offerings for FCPM are not yet available and still on-premises, resulting in a lower positioning for Ability to Execute.
- SAP's reference customers rated it in the bottom quartile in all areas of customer satisfaction; its scores relating to ease of implementation were particularly low.

Tagetik

Tagetik supports FCPM functionality with an array of products that are part of the Tagetik Financial Performance Platform, including Tagetik Consolidation (for financial reporting and consolidation), IFRS and GAAP reporting, costing and profitability analysis, IC Cockpit (for reconciliations management, close management and intercompany transactions), and Collaborative Disclosure Management and board reporting. Tagetik's product suite is built on the Microsoft SQL Server 2014 platform. Tagetik Cloud is licensed as SaaS and can also be hosted on private Amazon Web Services (AWS) or Microsoft Azure cloud environments.

Tagetik is a Visionary in this space due to its robust functionality and ability to support complex use cases across FCPM processes, but is weaker in execution (particularly around market) when compared with the Leaders. Tagetik was among the first of the on-premises vendors to offer a cloud-based alternative, although most of its legacy customers currently remain on-premises.

Strengths

- Tagetik's reference customers reported higher-than-average satisfaction, compared to FCPM vendors, in nearly all categories. Tagetik ranks among the highest for customer satisfaction among vendors with a high average number of users (58% of its reference customers had revenue of more than $1 billion).

- Fifty-four percent of Tagetik's reference customers felt its product could be implemented quickly and inexpensively relative to other the solutions they evaluated, and this was one of the top three reasons why Tagetik was chosen. This percentage, which is among the highest for any vendor surveyed, indicates Tagetik's ability to differentiate itself in this key functional area.
- Tagetik Consolidation is a robust financial consolidation solution capable of supporting large enterprises with complex requirements. Its IC Cockpit addresses many of the process flow requirements for EFCA capabilities and its Collaborative Disclosure Management solution has achieved good penetration in Europe where the focus has moved beyond simple XBRL reporting.

Cautions

- Although Tagetik has continued to gain traction in North America, the majority of its customers are in Western Europe; customers evaluating Tagetik in other regions should evaluate its support and consulting capabilities in their area.
- Tagetik's packaged analytics integration for SAP (Hana) and Qlik analytics platforms are relatively new offerings. No customers using these solutions were surveyed for this study, so prospective customers should evaluate existing customers with similar use cases.
- While Tagetik's IC Cockpit is focused on process flows for EFCA, it does not have the high-volume, complex transaction matching capability found in leading EFCA products.

Trintech

Trintech is a Visionary vendor in the FCPM market that supplies its FCPM capabilities through its Cadency and ReconNET solutions delivered as a SaaS subscription through the cloud. Cadency is a record-to-report solution and ReconNET is a transaction matching and exception management solution used for complex and/or high-volume reconciliations. The Cadency subscription includes access to all components of the EFCA suite at a single price per user (namely, Certification, Journal Entry, Close, Compliance and the Cadency Console). The Certification solution enables reconciliation and variance analysis and delivers a graphical dashboard, presenting management with key performance indicators. The Journal Entry solution provides real-time visibility, control and validation of the status of journal entries. Cadency's Close solution provides the ability to track and manage various close tasks. The Cadency Console provides a single consolidated view of all the previously mentioned processes.

The Advanced Matching capabilities of ReconNET handle various complex and/or high-volume reconciliations. ReconNET is available stand-alone or with integration into Cadency — known as the Cadency Advanced Matching Solution. Although not part of FCPM evaluation, Cadency's Compliance solution supports compliance frameworks such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

On 2 May 2016, Trintech announced the acquisition of its competitor Chesapeake System Solutions, a leading reconciliations management vendor, creating a larger organization with more products, as well as integration opportunities to existing products. This acquisition is not included in Trintech's rating for this Magic Quadrant.

Strengths

- Trintech is one of the top two cloud-based reconciliations management vendors in the market, and is often in the final two in evaluations for companies with annual revenue of more than $500 million — its target market. Trintech is no longer selling on-premises solutions, but continues to support those clients that have previously purchased one of its legacy on-premises solutions. Trintech's product suite addresses many areas of EFCA.
- Trintech is a profitable organization and has been for a number of years, adding to its financial stability/viability.
- Trintech has a high level of customer satisfaction in the FCPM market and, although based in Dallas, Texas, U.S., it has a more significant market presence globally than many of its competitors.

Cautions

- Trintech's Cadency branding is confusing to many customers. Some customers think there is a mismatch between the naming of its products and their functionality (for example, the reconciliations capability is available through its Certification module).
- The positioning and corresponding pricing of Trintech's product suite makes it more expensive for organizations that just want one capability, such as reconciliations. This could, however, result in a lower total cost of ownership (TCO) if multiple functions within Cadancy are deployed.
- Existing on-premises customers must negotiate effectively with Trintech as they move to cloud solutions, to ensure they gain proper consideration for their existing license investments.

Workiva

Workiva, a publicly traded company, is a Leader in the FCPM Magic Quadrant. Workiva's foundation in this market is Wdesk, a pure cloud platform with native capabilities to create and combine text documents, workbooks, presentations, dashboards and charts in one easy-to-use environment. Wdesk provides a central platform for users to store and synchronize data from ERP, consolidations, financial planning and analysis, and nonfinancial systems. It also allows reporting teams to transform that data into financial, management and performance reports, as well as regulatory disclosures. Wdesk connects and manages information with advanced linking capabilities, audit trails, permissioning and the power of administrative and end-user personalization.

Strengths

- Although a relatively young company, Workiva has achieved Leader status in the market due to its strong vision and execution. Workiva is effectively upselling — to its current disclosure management customers — more Wdesk seats to support broader management, financial reporting and performance reporting capabilities, thereby increasing the revenue contribution from its current customers.

- Workiva provides solutions that address standard FCPM use cases across a wide variety of industries. Wdesk has also been proven to address industry-specific use cases in financial reporting, management reporting and disclosure management. Workiva has dedicated industry solutions for banking and investments, insurance, state and local government, utilities and manufacturing.
- Workiva's renewed focus on the "office of finance" enables it to leverage new innovative solutions in FCPM; for example, its "Last Mile of Analytics" marketing initiative, which helps organizations gather financial and operational information across the enterprise from various analytical solutions into a consolidated performance report.

Cautions

- While the Wdesk platform can be used for a variety of compliance applications, there are many different customer departments within the organization with a demand for compliance applications. While the company is very keen to enter new solution areas, it needs to ensure that it maintains its focus on the larger opportunities.
- Many of Workiva's customers are still disclosure-management-focused. Since Wdesk is primarily sold to the finance organization for these implementations, IT is often not familiar with Workiva and therefore does not act as a champion across the organization to take advantage of Wdesk's extended capabilities.
- Workiva needs to improve its global penetration and move beyond XBRL implementations for disclosure management projects globally. It also needs to establish partnerships with leading service providers that will build applications for its customers on top of the Workiva platform.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor's appearance in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

None, as this is a new Magic Quadrant.

Dropped

None, as this is a new Magic Quadrant.

Inclusion and Exclusion Criteria

Market Presence

- The vendor must have at least 100 in-production customers using two or more of the six key FCPM components as described above; also, vendor and license, maintenance and booked subscription revenue for the period 1 July 2014 to 30 June 2015 of at least $20 million from FCPM applications. Note that unrealized recurring revenue is not included.
- The vendor has demonstrated market presence and interest from clients in its solutions and offerings, as determined by Gartner.
- The vendor's license maintenance revenue cannot be overly disproportionate to new license and subscription revenue.
- The vendor offers implementation services in three or more of the following geographic regions: North America, South America, EMEA and Asia/Pacific.
- The vendor's target customers are either midsize or large companies, or large public-sector/nongovernmental organizations (NGOs) with multiple, diverse departments.
- The vendor must support enterprise-scale deployments with hundreds of users in a variety of industries; vertical solutions cannot represent more than 70% of overall revenue.
- ERP vendors must show continued FCPM investment and market presence outside their ERP customer base.

Product Capabilities

- The vendor must have a minimum of two FCPM offerings out of the six components of FCPM.
- The vendor can demonstrate success in its investment in new technology.

Vendor Viability

- The vendor must be financially viable, profitable or have a realistic path to profitability.

Honorable Mentions

The following vendors did not meet the criteria for inclusion in the Magic Quadrant, but may be worthy of consideration:

- Adra — A provider of software for the financial close and reconciliation management processes, with more than 3,000 customers around the globe. Adra's software focuses on accounting and finance team efficiency, control and accuracy — streamlining processes and providing an overview of its balancing processes.

- AutoRek — A provider of financial controls and regulatory reporting software solutions, with primary coverage in European markets. It also provides custom solutions for many clients outside of FCPM areas.
- Chesapeake System Solutions — A financial software vendor with on-premises and hosted solutions focused on account reconciliation, treasury and escheatment compliance. Chesapeake's implementations meet the complex needs of those firms that do not opt for a SaaS solution. This vendor is also active in operational financial services implementations. Note that on 2 May 2016, Trintech announced its acquisition of Chesapeake System Solutions.
- OneStream — The OneStream XF is a platform for FCPM that includes financial consolidation, data quality management and analytics. The OneStream XF platform can be extended with new functionality that is downloaded from the XF MarketPlace and imported into the unified platform for many specialty solutions including account reconciliations and close management. OneStream's product is sold mainly in the midsize or large enterprise market to organizations with a significant amount of business complexity, and is deployed in the cloud or on-premises.
- Tidemark — A pure-play cloud vendor providing financial consolidation, revenue forecasting, calculation and modeling, pro forma financials and management reporting.
- Vena — Supports financial/management reporting, financial consolidation, account reconciliations and tax provisioning. Vena's SaaS platform integrates tightly with Microsoft Excel and provides workflow management, control and reporting capabilities on a centralized in-memory database. Vena uses Microsoft Excel as its primary user interface; users are therefore not required to replace their current models and spreadsheets.

The following SCPM vendors have financial consolidation capabilities and should be considered if you are looking for an integrated approach to FCPM and SCPM:

- Adaptive Insights
- Anaplan
- Board International
- Jedox
- prevero
- Prophix
- Solver

The following financial management suite vendors have varying FCPM capabilities for financial reporting and controls:

- Workday
- NetSuite
- Microsoft Dynamics

- Unit4
- Infor

Evaluation Criteria

Ability to Execute

These criteria and weightings were used to evaluate vendors' market positions:

- **Product:** This involves FCPM functionality across two of the six pillars (application components) of FCPM previously described. It includes the ability to support a range of organization sizes (including large enterprisewide implementations) and complex use cases. It also encompasses the underlying technical architecture.
- **Overall Viability:** This includes an assessment of the organization's overall financial health, its financial and practical success, the size of the business, and the likelihood that the vendor will continue to invest in its FCPM products.
- **Sales Execution/Pricing:** This comprises the vendor's capabilities in all sales activities and the structures that support them. This criterion also includes an assessment of the cost of product licenses, implementations and ownership.
- **Market Responsiveness and Track Record:** This involves the vendor's overall effectiveness in the market, including market share, the number of live implementations of its products, the number of enterprisewide implementations, the vendor's responsiveness to users and its capability to articulate a clear product value proposition. (The vendor must demonstrate substantial new license and subscription revenue as compared with maintenance revenue.)
- **Marketing Execution:** The clarity, quality, creativity and efficacy of the execution of marketing programs designed to deliver the vendor's message — in order to influence the market, promote its brand and business, increase awareness of its products and services, and establish a positive identification with the product, brand or vendor with buyers. These programs may include, among other elements, a combination of advertising, promotions, thought leadership, word of mouth and sales activities.
- **Customer Experience:** This includes the vendor's capability to deliver presales and postsales support, which enables clients to be successful with their solutions. This criterion also includes the quality and availability of the vendor's support desk and implementation services. The customer reference survey for this Magic Quadrant specifically asked respondents to rate their overall satisfaction with a vendor's budgeting and planning capabilities, as well as the degree to which:
  - The solution has met their needs
  - The implementation was easier than expected

- The solution is easy to use
- Ongoing support requests are addressed
- The solution integrates well with other systems
- Overall satisfaction exists with both the vendor and its solution(s)

- **Operations:** This involves the organization's capability to meet goals and commitments with respect to its solutions. Factors include the quality of the organizational structure, such as skills, experience, programs, systems and other vehicles that enable vendors to operate effectively and efficiently in the market on an ongoing basis.

Table 1. Ability to Execute Evaluation Criteria

Criteria	Weight
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	High
Marketing Execution	Medium
Customer Experience	High
Operations	Medium

Source: Gartner (May 2016)

Completeness of Vision

These criteria and weightings were used to evaluate the position of vendors in the market:

- **Market Understanding:** This is the vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the home geography, directly or through partners, channels or subsidiaries, as appropriate for the geography and market.
- **Marketing Strategy:** This involves a clear, differentiated set of messages, matching Gartner's vision of FCPM, that is communicated consistently throughout the organization and is externalized effectively to the market.
- **Sales Strategy:** This is the strategy for selling solutions that uses the appropriate network of direct and indirect sales, marketing, service, and communications affiliates to extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.
- **Offering (Product) Strategy:** This refers to the product strategy covering depth of functionality within critical product offerings.

- **Business Model:** This refers to the soundness of each vendor's strategy to deliver solutions to the market.
- **Vertical/Industry Strategy:** This refers to the vendor's strategy to direct resources, skills and offerings to meet the needs of a variety of vertical market segments; however, vertical strategy should not negatively impact horizontal strategy.
- **Innovation:** Consideration of unique approaches and innovations, such as use of technology, development of product enhancements, availability of licensing and execution of partnering.
- **Geographic Strategy:** This is the vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the home geography, directly or through partners, channels or subsidiaries, as appropriate for the geography and market.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Low
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	Medium
Business Model	High
Vertical/Industry Strategy	High
Innovation	Medium
Geographic Strategy	High

Source: Gartner (May 2016)

Quadrant Descriptions

Leaders

Leaders provide mature offerings that meet market demand and have demonstrated the vision necessary to sustain their market position as requirements evolve. The hallmark of Leaders is that they focus on, and invest in, their offerings to the point where they lead the market and can affect its overall direction. As a result, Leaders can become the vendors to watch as you try to understand how new market offerings might evolve.

Leaders typically possess a large, satisfied customer base (relative to the size of the market) and enjoy high visibility within the market. Their size and financial strength enable them to remain viable in a challenging economy.

Leaders typically respond to a wide market audience by supporting broad market requirements. However, they may fail to meet the specific needs of vertical markets or other more specialized segments.

Challengers

Challengers have a strong Ability to Execute, but may not have a plan that will maintain a strong value proposition for new customers. Larger vendors in mature markets may be positioned as Challengers, because they choose to minimize risk or avoid disrupting their customers or their own activities.

Although Challengers typically have significant size and financial resources, they may lack strong vision, innovation or an overall understanding of market needs. Challengers may offer products nearing the end of their lives that dominate a large but shrinking segment.

Challengers can become Leaders if their vision develops. Over time, large companies may fluctuate between the Challengers and Leaders quadrants as their product cycles and market needs shift.

Visionaries

Visionaries align with Gartner's view of how a market will evolve, but their ability to deliver against that vision is less proven. In growing markets, this is the typical status. In more mature markets, it may reflect a competitive strategy for a smaller vendor — such as selling an innovation ahead of mainstream demand — or a larger vendor trying to break out of a rut or differentiate itself.

For vendors and customers, Visionaries fall into the higher risk-higher reward category. They often introduce new technology, services or business models, and they may need to build financial strength, service and support, and sales and distribution channels. Whether Visionaries become Challengers or Leaders may depend on whether customers accept the new technology, or if the vendors can develop partnerships that complement their strengths. Visionaries are sometimes attractive acquisition targets for Leaders or Challengers.

Niche Players

Niche Players do well in a segment of a market, or they have a limited ability to innovate or outperform other vendors in the wider market. This may be because they focus on a particular functionality or geographic region, or because they are new to the market. Alternatively, they may be struggling to remain relevant in a market that is moving away from them. Niche Players may have reasonably broad functionality, but with limited implementation and support capabilities and relatively limited customer bases. They do not demonstrate a strong vision for their offerings.

For end users, assessing Niche Players is more challenging than assessing vendors in other quadrants — because some could make progress, while others do not execute well and may not have the vision and means to keep pace with broader market demands.

A Niche Player may be a perfect fit for your requirements; however, if it goes against the direction of the market — even if you like what it offers — then it may be a risky choice because its long-term viability will be threatened.

Context

This Magic Quadrant is a market study. The fact that certain vendors are Leaders does not mean that their solutions effectively address all functional and technical requirements for all use cases better than other vendors. Often, and in certain areas — most notably ease of use, solution flexibility, innovation, implementation effort and ongoing support costs — Leaders compare unfavorably against other vendors in this market (see "Critical Capabilities for Corporate Performance Management Suites" and "Survey Analysis: References Rate Their CPM Vendors in Gartner's User Survey").

The future of business will be defined by how well organizations use technology to engage with partners and customers across a wide range of digitalized processes (see "Predicts 2016: Algorithms Take Digital Business to the Next Level"). The office of finance must modernize to support these efforts by creating a higher degree of coordination between financial and operational reporting in order to support accurate and effective reporting for performance management. FCPM solutions are addressing this need with new ease-of-use, collaboration, platform, integration, process management and analytics capabilities.

The different solutions available vary in their ability to support two different "modes" of use; a bimodal approach is important to modernize finance processes, ensuring the office of finance can both:

- Provide control, compliance and transparency
- Respond to changes in business strategy and remain aligned with more rapidly changing operational planning systems

Gartner defines bimodal IT as the practice of managing two separate, coherent modes of IT delivery, one focused on stability and the other on agility (see Note 2). Mode 1 is traditional and sequential, emphasizing safety and accuracy; Mode 2 is exploratory and nonlinear, emphasizing agility and speed (see "How to Achieve Enterprise Agility With a Bimodal Capability"). Finance applications and the processes they support are often designed to satisfy the first need at the expense of the second; however, this second need is critical. Modernizing the office of finance requires a bimodal application management approach that satisfies both these Mode 1 and Mode 2 requirements. Most FCPM implementations will initially be focused on Mode 1, to improve systems of record. However, there are many opportunities within disclosure management solutions to be deployed as the "last mile of analytics," by providing coordination for critical financial and operational documents within a performance playbook approach.

FCPM solutions are used almost exclusively by the office of finance; however, within disclosure management there is an opportunity to better collaborate with the finance organization, as well as to use these applications independently within nonfinance departments. This development is largely due to newer products with a greater ease of use (primarily fueled by cloud-based solutions) and an organizationwide need for modeling, analytics and integrated business planning. As a result, opportunities exist and the market continues to evolve. All vendors in the space have made significant, and in some cases unprecedented, investment in their solutions — primarily in regards to their existing or new cloud-based offerings. This shift from on-premises to cloud-based product investment is expected to accelerate. Gartner predicts that by 2019, more than 30% of the 100 largest vendors' new software investments will have shifted from cloud-first to cloud-only implementations (see "Invest Implications: 'Predicts 2016: Cloud Computing to Drive Digital Business'").

FCPM solutions are used by both SMB and large organizations; for example, 51% of survey participants reporting their annual revenue had more than $1 billion and 49% had less than $1 billion. Growth opportunities continue to exist for smaller organizations as improved ease of use, flexibility, performance and analytics enabled by cloud, in-memory and mobile technologies are enabling functionality that meets, and can exceed, that which was previously only available to larger organizations. Also, importantly for the SMB market, the barriers to entry have been lowered through lower software costs and a reduced need for specialized consulting. On the other hand, larger organizations typically have some type of budgeting and planning solution in place; however, selective investment opportunities still exist to:

- Reduce ongoing support costs
- Provide more flexible options for individual business units and departments to address their specific needs
- Support new initiatives such as those related to integrated business planning and financial modeling

Market Overview

At first glance, the FCPM market appears to be mature, because there are some established Leaders that have been in prior leadership positions in our CPM Magic Quadrants (plus one Challenger, four Visionaries and one Niche Player). It is, however, not mature due to the following reasons:

- While some of the areas, such as financial/management reporting and consolidation, could be considered more mature, the areas of disclosure management, reconciliations and close management are highly charged ones (we estimate year-over-year growth of more than 40%) that will continue to achieve growth as these solutions become more mainstream.
- We have artificially limited our market analysis to vendors with a particular customer and revenue penetration. If we had reduced the revenue requirement to $10 million, we would have significantly increased the number of vendors in the study — many of which would have been considered Niche Players.

- FCPM revenue has been relatively flat for the Leaders in this market in the areas of financial reporting and consolidation, compared with many of the vendors in the other three quadrants; however, SaaS product options are creating new opportunities for product innovation and growth. Gartner is receiving increasing numbers of inquiries from customers wanting to move their cumbersome on-premises financial consolidation solutions to the cloud.
- Two of the Leaders in this Magic Quadrant are also entirely new entrants to Gartner's Magic Quadrants. Their primary strength lies in EFCA, which is achieving very high market growth.

FCPM market share and revenue levels remain important factors in the vendors' relative scores; however, there are other aspects to be considered. This is a highly competitive market where the traditional product shortcomings of the Leaders (which are largely related to ease of use and the costs related to software, setup and support, as well as to the EFCA functionality that is missing in many more mature FCPM vendor product offerings) have been exploited by newer more agile competitors. For example, in the area of EFCA, organizations have invested in specialty vendors such as BlackLine, Trintech and Workiva to augment their traditional financial consolidation products (from, for example, SAP and Longview Solutions) for financial process improvements. Successful ideas are being copied and some vendors are becoming less differentiated as innovations are incorporated into some of the offerings from more traditional vendors.

The Leaders have the advantage of leveraging a large customer base of their FCPM, SCPM, business analytics and (for Oracle and SAP) ERP customers. This is a significant benefit given that the need to support integration between these offerings and the traditionally conservative nature of the office of finance has tended to make suite solutions more "sticky" than other analytics offerings. This is also true for SCPM solutions, but less so because advances in information technology (see Note 1) have created new opportunities for the office of finance to improve accuracy and compliance while providing a baseline for corporate performance.

The increasing maturity of cloud-based FCPM applications means that users can deploy solutions more quickly in a hybrid on-premises-cloud and hybrid-vendor manner to address specific business needs (such as business unit planning or a reconciliation management solution). Cloud-based solutions can be used to create a more flexible, agile approach to FCPM. For this reason, more organizations are adopting a hybrid approach in this area — using multiple vendors similar to a postmodern ERP methodology (see Note 2).

Although possessing a healthy FCPM market share is certainly an advantage, some of the Leaders also have accompanying challenges associated with providing innovation to their existing customer base (with their existing on-premises solutions). The provision of EFCA capabilities is a good example of this. Some of the larger vendors have not yet grasped this function effectively, so there are three EFCA vendors in this Magic Quadrant that did not previously appear in a CPM Magic Quadrant (two as Leaders and one as a Visionary). These new vendors (BlackLine, Workiva and Trintech) have invested heavily in creating new cloud-based solutions that can operate in heterogeneous financial reporting and consolidation, as well as ERP, environments. This also creates opportunities for the Challengers in this space. Many of the vendors outside of the Leaders quadrant have built a solid customer base of SMB companies, and a number of them have been increasingly successful at attracting large organizations with more than $1 billion in revenue.

However, companies with more than $3 billion in revenue are more inclined to use the type of products offered exclusively by the Leaders, especially for enterprisewide solutions; they are driven by a greater need for product flexibility, increased time to value and ease of implementation and support. Each year, larger companies are more willing to adopt a hybrid approach and consider new offerings to work in conjunction with or, in some cases to replace, their existing solutions.

The Leaders are not standing still; they continue to release new cloud-based products or capabilities and to leverage their market recognition and large customer bases — some even forecasting new cloud capabilities in their EFCA products. They have the advantage of using contract-based enticements, motivating their more expansive sales forces, investing their significant resources in cloud-based product development, and citing existing or future integration advantages with their other products. Lower-priced cloud-based offerings with a greater ease of use and lower ongoing maintenance costs also gain them better access to new midmarket prospects.

The success of all vendors in this market will ultimately depend on the level business value they can provide and the level of customer trust they can earn. This is especially true in the cloud, where customers give up more control than they do with an on-premises option (therefore relying on their vendors to a higher degree). This focus on the importance of vendor trust and cloud competency elevates the importance of customer satisfaction to a key component of business value. This is especially true within the office of finance, a business domain that is necessarily conservative and risk-averse.

Each year, Gartner emphasizes the most impactful market factors when considering vendor scoring. This year's Magic Quadrant stresses capabilities in three primary areas of FCPM market evolution.

1. Cloud Has Become a Required Capability

FCPM offerings continue to shift toward cloud-based solutions that deliver a shorter time to value and improved ease of use while improving agility. The ability to provide cloud-based solutions and demonstrate experience with supporting these solutions is now a generally accepted requirement in this market. The availability of a cloud-based option is no longer visionary, but a necessity. It is necessary for SMBs with fewer IT resources for ongoing support, and for large organizations that require more flexible solution options — especially for certain use cases or for business units or departments requiring specific domain relevance, functional innovation, ease of use and agility.

This does not mean that SaaS FCPM solutions are now the norm and that all companies are ready to adopt cloud-based solutions for all FCPM capabilities. However, for EFCA functionality, SaaS is the preferred deployment method for the majority of customers. Vendor preferences for cloud-based solutions vary by geography, industry and culture (see "Forecast Analysis: Public Cloud Services, Worldwide, 4Q15 Update"), and organizations are refocusing back on what matters — the functionality provided by each vendor in relation to related costs. For example, the following question was asked of Magic Quadrant survey participants, "What were your organization's top three most important selection criteria when selecting a vendor for their financial and/or strategic CPM solution?" The No. 1 answer was "Functional capabilities" (as it was last year and in previous years). Reporting also remains a popular response, as does modeling and analytic capabilities. What is worth noting, is the prominence of "Ease of use" (42%) and "Vendor's solution can be implemented quickly and inexpensively relative to other solutions evaluated" (35%).

These results reflect a strong market preference for solutions that are easy to use and maintain. Whether or not the solution was cloud-based was also less relevant; cloud is no longer the differentiator it once was — the market cares less if the solution is cloud-based or on-premises and is primarily concerned with whether or not it can satisfy the need for ease of use and maintenance. With EFCA capabilities, however, SaaS is the norm for deployment. SaaS options are very relevant here, because options that are easier to use are more commonly SaaS-based. It must be noted, however, that the rest of the FCPM market (that is, non-EFCA capabilities) is slower to move away from on-premises toward SaaS solutions for financial reporting and consolidation, although we predict this will shift toward SaaS during the next three to five years.

The established vendors in this market continue to invest in cloud-based options with varying levels of success. While this continues, pure-play SaaS vendors continue to increase their customer portfolio of larger organizations, which requires them to continue expanding their integration and application governance capabilities and gain experience with complex use cases. Gartner inquiry volumes reflect this increasing acceptance of cloud-based FCPM solutions. Roughly 30% of all Gartner FCPM inquiries received during the past nine months were with organizations that have moved financial systems components to the cloud, or those that will be doing so during 2016. However, nearly 100% of all customer inquiries related to FCPM included future cloud considerations (SaaS and PaaS, for example).

The following technical areas are supporting a process evolution from integrated financial planning to integrated business planning. They enable the modernization of the office of finance via a bimodal approach.

2. Postmodern ERP Approaches Influence Hybrid FCPM Implementations

Gartner has written extensively on how companies are moving toward postmodern approaches to ERP and financial management applications. In FCPM, this is seen in the following cases:

- Organizations have frequently selected FCPM solutions from vendors other than their megavendor, or ERP vendor suite or applications stack. While some SAP ERP customers prefer to stick with a product selection path that includes SAP-only products, the FCPM market (like its predecessor, the CPM market) most often favors a hybrid vendor approach to FCPM.
- The FCPM market includes different applications that improve financial compliance during the financial close. Specialty EFCA vendors, such as BlackLine and Trintech, do not offer financial consolidation capabilities, so many of their clients employ financial consolidation solutions from other FCPM vendors — in a hybrid approach.
- Not all FCPM vendors are competitors. While many that provide financial consolidation and EFCA concurrently are competitors, pure-play EFCA vendors do not compete directly with those of a more "traditional CPM" market variety.
- While many FCPM suite vendors that offer financial consolidation also have some EFCA capability for process management, in areas such as reconciliations management many do not have high-volume transaction-matching capabilities. To address this void, many organizations pursue a hybrid approach.

- Two of the vendors in this FCPM Magic Quadrant are partners in application areas that they do not compete in: BlackLine and SAP partner for close management and reconciliation capability, in a hybrid approach.

3. Platform and Integration-Related Capabilities Are Growing in Importance

A historical lack of integration capability has prevented FCPM solutions (as well those from what we have called the CPM market) from fully delivering on their performance management and financial process improvement/compliance promise. The characteristically loosely coupled integration between ERP, FCPM, SCPM and other transactional systems has not been supported by adequate integration or performance management platforms. These shortcomings have negatively affected performance management capabilities, limiting data accessibility and workflow collaboration. They will become necessary in order for finance organizations to modernize (see "Modernizing Integration Strategies and Infrastructure Primer for 2016").

Platform improvements leveraging in-memory computing are also necessary to support both a hybrid or single-vendor bimodal approach. As more ERP vendors move to IMC environments for their transactional systems, many of the FCPM processes will be able to reside with the core GL environment. In some of the newer ERP systems (such as Workday's), financial consolidation from "like" as well as different GL environments can be consolidated with the same IMC environment, negating the need to build a separate analytical environment for many FCPM processes. As such, there is a strong likelihood that within the next 10 years, most organizations will favor FCPM solutions from their ERP vendor due to this closer integration, thereby eliminating the need to create separate analytical environments for financial consolidation, financial/management reporting and reconciliations. Platform improvements are necessary to manage performance using methods like these; methods that were not previously possible (see "In-Memory Computing Will Unlock New ERP and CPM Business Value").

Integration and platform improvements can support the evolution of financial processes, most notably an evolution of office of finance-focused planning to integrated financial planning (increasing financial planning accuracy), to integrated business planning (improving planning processes for both corporate finance and operations with the goal of better overall performance management).

Acronym Key and Glossary Terms

CPM	corporate performance management
EFCA	enhanced financial control and automation
FCPM	financial corporate performance management
GL	general ledger
IMC	in-memory computing
POC	proof of concept
SCPM	strategic corporate performance management
SMB	small or midsize business
XBRL	eXtensible Business Reporting Language

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

"Magic Quadrant for Strategic Corporate Performance Management Solutions"

"Magic Quadrant for Business Intelligence and Analytics Platforms"

Evidence

As part of this research, Gartner conducted a survey of reference customers using FCPM and SCPM products (from November 2015 to January 2016). The survey participants were nominated by each of the 10 FCPM suite vendors in this Magic Quadrant. They were asked 20 specific questions about their experiences with their FCPM vendors and solutions. The results were used in support of the assessment of the FCPM suite market. We obtained 736 full responses in this 2015 survey, representing companies based across six different geographic regions, as follows:

- North America, 56%
- Western Europe, 26%
- Latin America, 2%
- Central and Eastern Europe, 7%
- Asia/Pacific, 7%

- The Middle East and Africa, 2%

In addition to the survey results, final Magic Quadrant ratings are also the result of the significant consideration of information evaluated from Gartner's FCPM reference visits and calls throughout the year. These interactions serve as an important part of the vendor evaluation.

Note 1 Postmodern ERP and the Nexus of Forces

Postmodern ERP describes the deconstruction of suite-centric ERP into loosely coupled applications that are indifferent to the source of process provision, taking into account the Nexus of Forces (see below) opportunities and driven to be business-agile. The concepts and benefits of an ERP are preserved where it makes sense to do so, but there is no automatic quest for on-premises, or a single instance, or for a single megavendor, or for operational efficiency (for example, preintegrated capability) over business agility (see "2015 Strategic Road Map for Postmodern ERP").

In 2012, Gartner introduced information technology advances — described as the Nexus of Forces — as the convergence and mutual reinforcement of mobile, social, cloud and information. Consumerization and democratization of IT drives this convergence and reflects a technology-immersed world (see "The Nexus of Forces Is Creating the Digital Business").

Note 2 Bimodal IT

Gartner defines bimodal IT as the practice of managing two separate, coherent modes of IT delivery: one focused on stability and the other on agility. Mode 1 is traditional and sequential, emphasizing safety and accuracy. Mode 2 is exploratory and nonlinear, emphasizing agility and speed. When applied to the finance organization's capabilities, this involves a Mode 1 focus to support mission-critical systems where safety and accuracy is paramount. An example of such a system may be an ERP GL module or a finance CPM application that supports financial budgeting or external financial reporting. Many such FCPM solutions support Mode 1, yet a bimodal approach also involves a Mode 2 focus. Although any financial system may benefit from Mode 2 considerations in certain areas, the primary examples of systems requiring such a focus are those that support SCPM processes (which are not the focus of this Magic Quadrant) such as integrated financial planning (see "The Office of Finance Must Embrace New Planning Frameworks to Link Strategy and Execution").

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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